SURREBUTTAL TESTIMONY

OF

IRIS N. GRIFFIN

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2017-207-E

DOCKET NO. 2017-305-E

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. I am Iris N. Griffin, Senior Vice President, Chief Financial Officer ("CFO"), and Treasurer of SCANA Corporation ("SCANA") and South Carolina Electric & Gas Company ("SCE&G" or collectively the "Company"). My business address is 220 Operation Way, Cayce, South Carolina.

Q. HAVE YOU PREVIOUSLY SUBMITTED REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. Yes, most recently I have submitted pre-filed testimony in Docket No. 2017-370-E, which has been consolidated for hearing purposes with these dockets. Because this testimony addressed many of the issues raised here, that pre-filed testimony is attached as Exhibit__(ING-1) to this testimony and incorporated by reference into my pre-filed direct testimony in this docket.

Q. WERE THERE EXHIBITS ATTACHED TO YOUR PRE-FILED REBUTTAL TESTIOMY IN DOCKET NUMBER 2017-370-E?

A. Yes, Exhibit__(ING-1A) was my previous testimony filed in these dockets and Exhibit__(ING-2A) was a financial analysis that is included with Exhibit__(ING-1) herein.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Exhibit__(ING-1) to Surrebuttal Testimony

REBUTTAL TESTIMONY

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A. I am Iris N. Griffin, Senior Vice President, Chief Financial Officer ("CFO"), and Treasurer of SCANA Corporation ("SCANA") and South Carolina Electric & Gas Company ("SCE&G" or collectively the "Company"). My business address is 220 Operation Way, Cayce, South Carolina.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I have.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to address positions taken by the Office of Regulatory Staff ("ORS") and other intervenors in this docket. Specifically, I will be responding to ORS's proposed rate plan, certain statements made by Mr. Anthony James, Mr. Lane Kollen and Mr.

Daniel Sullivan on behalf of ORS, and certain aspects of rate proposals made by other intervenors in this matter.

Additionally, in this testimony, I am incorporating my direct testimony from Docket Nos. 2017-305-E and 2017-207-E. That direct testimony is attached as ***Exhibit __ (ING-1A)*** to this rebuttal testimony and incorporated by reference in this docket. That testimony provided additional information regarding developments since the filing of my direct testimony in this docket. It describes the impacts of the credit rating downgrades and the results of recent bond refinancing efforts.

I. ORS'S TESTIMONY AND THE BASIS FOR THE JOINT APPLICATION

Q. BY WAY OF BACKGROUND FOR YOUR TESTIMONY, WHAT IS THE STATUTORY BASIS FOR SCE&G'S APPLICATION IN THIS MATTER?

A. SCE&G has filed its Joint Application in this proceeding under two statutory provisions S.C. Code Ann §§ 58-33-280 (K) and 58-27-870(F). The Joint Application explains that, as to a base load project in abandonment, the "recovery of capital cost and the utility's cost of capital associated with them may be disallowed only to the extent [of imprudence] …. The commission shall order the amortization recovery through rates of the investment of the abandoned plant as part of an order adjusting rates under this article." In addition, the Joint Application also references S.C.

Code Ann § 58-27-870(F), which allows the Public Service Commission of South Carolina ("Commission") to order rate changes that do not involve a recalculation of the utility's overall rate of return. It is the Company's position that this statute allows rate changes to be made which result in rate reductions, as is the case under the Customer Benefits Plan and the No Merger Benefits plan, or which result in no rate change at all, as is the case under the Base Request.

Q. WHAT IS THE NATURE OF THE PRINCIPAL RELIEF BEING REQUESTED BY SCE&G IN THIS PROCEEDING?

A. As the Joint Petition states, in reliance on S.C. Code Ann § § 58-33-280 (K) and 58-27-870(F), SCE&G is asking the Commission to:

1. Recognize the amount of the allowable investment in the NND Project which is now subject to recovery in abandonment,
2. Reduce that investment through certain accounting adjustments as specified in the Joint Petition,
3. Authorize SCE&G to amortize the remaining balance of that investment into allowable utility expenses,
4. Specify the amortization period for recovery of that regulatory asset, and

5. Allow SCE&G to recognize its statutorily mandated cost of capital on the unamortized balance of that asset, again subject to certain voluntary adjustments.

Under generally accepted accounting principles, the NND Project investment that had been recognized on SCE&G's books as Construction Work in Progress ("CWIP") has been properly recharacterized as a regulatory asset. As set forth in the Joint Petition, it is that regulatory asset which is to be amortized into rates and on which cost of capital is to be recognized under S.C. Code Ann. §§ 58-33-280 (K) and 58-27-870(F).

Q. HOW DOES SCE&G'S INVESTMENT IN NND PROJECT ASSETS THAT WILL BE PLACED INTO SERVICE FIGURE INTO THE REQUESTED RELIEF?

A. In establishing the regulatory assets, rates and rate making determinations related to the NND Project, SCE&G is requesting the Commission to recognize that certain of the NND Project investment is associated with transmission projects that have been or will shortly be placed in service. The same is true of certain generation projects or assets that are being placed in service. Those specific projects and assets are discussed in the direct testimony of Mr. Kevin Kochems and Mr. Kyle Young.

From a rate making perspective, SCE&G believes that the investment in these projects and assets should be recognized in computing SCE&G's rate base and allowable cost recovery. In addition, SCE&G believes that the cost of capital associated with these amounts as well as the depreciation expense and operating costs should be considered in determining SCE&G's revenue requirements in setting rates and evaluating the rate proposals being made in this docket under S.C. Code Ann. § 58-27-870(F).

Q. WHAT OTHER ISSUES ARE INVOLVED IN THIS PROCEEDING?

A. The other issues to be resolved here include the merger approval request, the calculation and return to customers of savings related to the Tax Cut and Jobs Act ("TCJA"), and others. The Company believes that all these issues go to the setting of rates for SCE&G that are just and reasonable on a prospective basis under S.C. Code Ann § § 58-33-280 (K) and 58-27-870(F).

Q. IS SCE&G SEEKING ANY FORM OF RATE INCREASE IN THIS DOCKET?

A. No. As the other SCE&G witnesses and I have shown in our direct testimony, the issues before the Commission can be resolved and prospective rates can be established for SCE&G without any rate increase. SCE&G's costs of utility operations, including costs of capital and amortization of allowable regulatory assets fully justify the rates that will return to force after the temporary rate imposed under Act No. 258 expires. That is the case so long as the lawful and appropriate amount of the NND Project investment is recognized for ratemaking purposes and recovered as proposed here. In fact, if either the Customer Benefits Plan or the No Merger Benefits Plan is adopted by this Commission, SCE&G will voluntarily accept a 3.5% decrease in rates compared to rates as charged in May of 2017 which is prior to the imposition of the temporary rates which were established under Act No. 258, even though current utility expenses and costs of capital fully justify pre-Act No. 258 rates.

For these reasons, it is my understanding that SCE&G has filed this action under two specific statutes. The Joint Petition points to S.C. Code Ann. § 58-33-280(K) which allows the Commission to determine matters related to the proper rate making treatment of NND Project investment after abandonment of the project. In addition, the Joint Petition points to S.C. Code Ann. § 58-27-870(F) as applying to proceedings which do not involve any increase in electric utility rates, and allowing the Commission in such proceedings to set new rates and to determine rate making and regulatory accounting matters, as presented in the Joint Petition.

Q. DOES SCE&G SEEK ANY RELIEF UNDER THE REVISED RATES PROVISIONS OF THE BLRA?

A. No. The Joint Petition does not make any claim under the revised rates provision of the Base Load Review Act ("BLRA"), which are found at S.C. Code Ann § 58-33-280 (A)-(I), and therefore the relief requested here does not seek or require any determination to be made under revised rates provisions. Under the relief requested, the Company is asking that rate recovery related to the NND Project investment going forward be based on the provisions of S.C. Code Ann. § 58-33-280 (K) and S.C. Code Ann. § 58-27-870(F) exclusively.

Q. **DOES ANYTHING IN ORS'S TESTIMONY INDICATE THAT ORS SHARES THIS UNDERSTANDING OF THE STATUTORY BASIS OF THIS PROCEEDING?**

A. Yes. A review of ORS direct testimony in this docket indicates that ORS also recognizes that the principal questions involved here concern the amount of SCE&G's investment in the NND Project that is subject to recovery as abandoned plant, the appropriate adjustments to be made to that investment, the amortization period for the recovery of the resulting balance, the appropriate cost of capital to be applied, and the just and reasonable nature of the rates to be imposed as charges prospectively. Like the rates proposed under the Customer Benefits Plan and the No Merger Benefits Plan, all rates proposed by ORS also involve a reduction in the rates that will automatically return to force when the temporary rate reductions imposed under Act No. 258 expire according to their terms. ORS's direct testimony shows that it and SCE&G are in fundamental agreement as to the nature of the principal questions before the Commission, the prospective nature of the relief at issue, and the regulatory and statutory framework under which we are operating.

Q. **DO THESE MATTERS HAVE PRACTICAL IMPLICATIONS FOR THE DECISIONS TO BE MADE BY THIS COMMISSION?**

A. Yes. In the context of setting prospective rates, issues like the proper treatment of transmission investment and investment in generation plant in service cannot properly be ignored or deferred as ORS suggests. That investment, and the cost of capital and depreciation associated with it, should be recognized in determining what constitutes a just and reasonable return for SCE&G prospectively. These costs are fully known and measurable. SCE&G is in fact incurring financing costs on its investment in these projects at its weighted average cost of capital. SCE&G has in fact been incurring depreciation expense and other operating costs on these assets from the time they were placed into commercial service and transferred out of CWIP accounts. The costs that SCE&G is recognizing on its books are actual costs. Given the magnitude of these investments, and the fact that they represent utility assets that are or will shortly be used and useful in providing service to customers, they should be considered in setting a just and reasonable rate for SCE&G to charge prospectively.

Q. WHAT IS THE APPROPRIATE STARTING POINT FOR MEASURING RATE CHANGES IN THIS PROCEEDING?

A. The appropriate starting point for measuring rate changes in this proceeding is the rate structure which was in place prior to implementation of the temporary rate reductions mandated by Act No. 258. Those rates are the result of an experimental rate reduction and legislation requires the Commission to decide the issues raised in the Joint Petition and establish a permanent rate by December 21, 2018 and at the conclusion of this proceeding.

II. THE ORS PLAN

Q. HAVE YOU READ ANTHONY JAMES'S AND LANE KOLLEN'S DIRECT TESTIMONY ON BEHALF OF ORS THAT DESCRIBES ORS'S PROPOSED REGULATORY PLAN?

A. Yes, I have. In their testimony, they describe a plan that ORS proposes as an alternative to SCE&G's three proposed rate plans, which I will call the "ORS Plan."

Q. WHAT IS YOUR UNDERSTANDING OF ORS'S PROPOSED RATE PLAN?

A. The ORS Plan would provide a net rate reduction of $560.7 million and $527.5 million in 2019 and 2020. The ORS plan provides no recovery for SCE&G's investment in the NND Project after March 12, 2015 and no recovery through current rates for the capital invested in transmission and generation projects which are in fact used and useful and are being placed in service for the benefit of customers and are described in the testimony of Mr. Kevin Kochems and Mr. Kyle Young.

Q. HOW DO YOU RESPOND TO THIS PLAN?

A. The Commission should not accept the ORS Plan. First, as the testimony of other SCE&G witnesses shows, it is unreasonable and without justification to disallow recovery of the capital costs of the NND Project that were incurred after March 12 2015. As the Commission found on multiple occasions and in multiple orders, these costs were prudently incurred and are properly included in the capital costs of the project for BLRA recovery purposes, including recovery under S.C. Code Ann § 58 – 33 – 280 (K) and S.C. Code Ann. § 58-27-870(F). Furthermore, there is no basis to reverse the prudency determinations made concerning these costs as the testimony of SCE&G's other witnesses also establish. They remain in full force and effect. In its direct testimony, ORS has admitted that SCE&G's July 31, 2017 abandonment decision was prudent. Accordingly, it is SCE&G's position in this proceeding that under S.C. Code Ann § 58 –

33 – 280 (K), the costs associated with the NND Project investments both before and after March 12, 2015 should be recognized for rate making purposes.

Q. HOW WOULD YOU RESPOND TO ORS'S PROPOSALS RELATED TO TRANSMISSION AND GENERATION INVESTMENT THAT CONSTITUTES PLANT IN SERVICE?

A. The ORS Plan does not allow any recovery in current rates for the costs associated with the transmission and generation projects and assets that have been or will be placed in service and the cost of capital, depreciation, and other operating costs associated with them. These assets are or will very shortly be used and useful assets, and the costs associated with them have been prudently incurred and are fully known and measurable. There is no basis to reverse the prudency decisions made concerning them or to fail to reflect the costs associated with them in the rates that will be established in this proceeding.

Q. HOW DO YOU RESPOND TO ORS'S PROPOSALS RELATED TO SCE&G'S CAPITAL STRUCTURE FOR RATE MAKING PURPOSES?

A. In its plan, ORS recommends that SCE&G's cost of capital on allowable NND Project investment be computed using a fixed rate of return that includes a 52.81% equity ratio and a 47.19%, long-term debt ratio, a return on equity of 9.1%, and a cost of debt of 5.56%, which purports to reflect SCE&G's recent debt issuances.

SCE&G accepts that the cost of capital should be based on a capital structure that does not reflect the impact on equity balances of impairments. However, SCE&G rejects the suggestion that anything other than its actual cost of capital should be used in setting rates, either in this proceeding or other proceedings. SCE&G's cost of capital is an objective number and represents a real cost of investing in utility assets to serve customers. To limit that cost of capital to a level that is less than the actual cost violates SCE&G's right to a just and reasonable return from its investment in its electric utility system. If SCE&G is not allowed an opportunity to recover its actual cost of investing in utility assets, this will injure customers in the long term by creating a disincentive to continued investment in the system.

Q. IS THE COST OF DEBT FIGURE OF 5.56% USED BY ORS IN ITS PLAN CALCULATIONS ACCURATE?

No, ORS's assumes a cost of debt that is not accurate. SCE&G has calculated its weighted average cost of debt as of the end of September 2018 using the same methodology that has been used in multiple proceedings before this Commission. The result of that calculation yields a weighted average cost of debt of 5.58% not 5.56%.

Q. ORS RECOMMENDS THE TAX SAVINGS RIDER WHICH SCE&G HAS PROPOSED SHOULD BE ESTABLISHED TO CAPTURE $98.7 MILLION IN SAVINGS. IS THIS FIGURE CORRECT?

A. No, it is not. SCE&G has calculated the level of anticipated TCJA savings based on actual 2017 financial results, as adjusted for standard rate making pro forma adjustments. The 2017 test period represents the most recent 12-month calendar year period for which data is available and therefore provides the most current assessment of tax savings. The ORS calculation is based on stale data. The most recent 12-month calendar period is a relevant starting point for this analysis because 2011 data does not reflect the current economic reality and would inappropriately provide "tax savings" SCE&G is currently not realizing. Furthermore, Joint Petitioners have agreed to a rate freeze to retail electric base rates for two years and using 2011 data in calculating the "tax savings" would further disintegrate the economic deal proposed under the Customer Benefits Plan. Calculations based on the most current 2017 data show the TCJA savings to be $67 million for the base retail electric business, not $98.7 million as ORS would indicate. This amount represents the reduction in current income tax expense, as well as the flow back of excess deferred income taxes (EDIT). Mr. James Warren will discuss additional concerns with the timing and the amounts of the EDIT amortization proposed by ORS in his testimony.

Q. **ORS RECOMMENDS IMPLEMENTATION OF A ONE-TIME REFUND OF $68.2 MILLION FOR THE BASE RATE AND REVISED RATE INCOME TAX SAVINGS IN 2018 DUE TO THE TCJA. DO YOU HAVE AN OPINION ON THIS RECOMMENDATION?**

A. SCE&G does not object to implementation of such a refund in the amount proposed. However, SCE&G's calculation of the base rate and nuclear revised rate income tax savings is closer to $100 million when considering the impact of EDIT amortization.

Q. **HAVE YOU REVIEWED ORS'S CALCULATIONS REGARDING THE TOTAL WRITE OFFS THAT WILL RESULT FROM IMPLEMENTING THE ORS PLAN?**

A. Yes, I have, and they are inaccurate. ORS's computation of total write-offs assumes that the Commission will specifically disallow certain costs and that no additional indirect disallowances result from the Commission's Order. Under Generally Accepted Accounting Principles, consideration must be given to all actions of the regulator, and it is unclear that the write-offs computed by ORS are the only such write-offs that would be required. Even so, given the write-offs the Company has already taken, and even assuming the write-offs stated by ORS to arise under the ORS Plan were complete and accurate, those write-offs would be detrimental to the Company's credit metrics, and financial soundness.

Q. HOW DO YOU RESPOND TO ORS'S ASSERTION THAT INCENTIVE COMPENSATION PAYMENTS ASSOCIATED WITH THE PROJECT SHOULD BE DISALLOWED?

A. Company employees look at their total compensation package and incentive or at-risk compensation is an important part of that total package. Incentive compensation is not considered to be an extra in the sense of money that is given away which is not earned. It is instead a foundational part of the compensation package that the Company offers employees. For the Company to attract and retain qualified personnel, it must offer a total compensation package that is competitive with the market and the utilities and other businesses with which we compete for personnel, which includes at-risk compensation. In addition, at-risk compensation is particularly useful as a management tool because it ties compensation to the achievement of specific goals which are important to the success of the Company.

SCE&G measures its compensation packages against the market and ensures that its compensation, including at-risk compensation, is aligned with market rates and expectations.

SCE&G, ORS and others extensively litigated the issues of at-risk compensation in SCE&G's last retail electric rate case, Docket No. 2012-218-E. In that proceeding, SCE&G's witnesses reviewed the Company's at-risk compensation plans in detail. The description of the programs and their justification remains valid today. In the order it issued in that proceeding, the Commission found that "there are sound reasons for offering incentive compensation as part of a competitively reasonable compensation package" and that "incentive compensation is an accepted and necessary component of a utility company's compensation package . . . ." Order No. 2012-951 at 28.

Nothing in ORS's testimony addresses or calls into question the justifications for incentive compensation as a necessary and appropriate part of the compensation package that the Company offered its employees during the course of the NND Project. In addition, the amounts in question that ORS would delete from the NND Project expenses, which total $9.3 million for the period 2008-2015, were all reviewed and approved by ORS in their auditing of the actual costs of the project, and were approved in the orders issued by the Commission related to this project in all relevant periods. The proposed adjustment to exclude incentive or at-risk compensation is not warranted.

III. FINANCIAL RESULTS FROM ORS'S PLAN

Q. HAS SCE&G CALCULATED THE ANTICIPATED FINANCIAL RESULTS IF THE ORS PLAN WERE TO BE IMPLEMENTED?

A. Yes, SCE&G has quantified financial results that can be anticipated if the ORS Plan were to be adopted. That calculation was made using the same test period data, pro forma adjustments, and methodologies that were used in computing the financial analyses presented in Exhibits ING-1, ING-2, ING-3, and ING-4. This analysis is attached hereto as ***Exhibit __, ING-2A***. Because of simplistic assumptions used by ORS in its proposal, certain additional assumptions were required to be incorporated into the calculation as are noted on the Exhibit.

Q. PLEASE EXPLAIN THE RESULTS OF THIS ANALYSIS.

A. *Exhibit __ (ING-2A)* demonstrates that had the ORS Plan been in effect during an adjusted test period reflecting the 12 months ended December 31, 2017, SCE&G would have earned a return on equity ("ROE") of 7.66%, which is 259 basis points lower than its allowed ROE of 10.25%, as established in Order No. 2012-951. It would have required approximately $103 million in additional annual retail electric revenue in order to raise SCE&G's ROE from 7.66% to the Commission-approved 10.25%.

But this 7.66% ROE is achieved only after SCE&G writes off approximately $2.5 billion in assets. This would result in an incremental capital cost impairment of $1.4 billion above the $1.1 billion in total asset impairments SCE&G has already recorded. This means that in addition to earning only a 7.66% ROE on remaining assets, SCE&G's investors will not earn any return at all on $2.5 billion in investment, and that capital will never be returned to them through depreciation or amortization. This ROE also assumes that the TCJA and merger savings proposed by ORS would be realized. If SCE&G provides savings that it is not currently realizing as previously discussed in my testimony, this ROE result of 7.66% would be further decreased, resulting in the need for additional annual retail electric revenues in order to raise SCE&G's ROE to the Commission-approved 10.25%.

Q. WHAT WOULD THIS MEAN FOR SCE&G FINANCIAL SOUNDNESS?

A. As the Company's witness, Ellen Lapson testifies, implementing the ORS Plan would disrupt the Company's finances and weaken its creditworthiness. It would hurt the Company's ability to raise capital and it would create financial risk. Our cost of capital would increase. Investment in our system could be constrained. Customer rates could be negatively impacted.

Q. HOW DO YOU RESPOND TO CLAIMS THAT YOUR PREVIOUSLY FILED EXHIBITS, ING-1, ING-2, ING-3, AND ING-

4, ARE NOT ACCURATE REPRESENTATIONS OF SCE&G'S CURRENT ELECTRIC OPERATIONS?

A. The methodology used in preparing the analyses shown on ING-1, ING-2, ING-3, ING-4 and ING-2A is the same adjusted historical test year methodology which is the principal methodology that has long been used in South Carolina for rate making calculations. South Carolina is a historical test period jurisdiction and the methodology used in these exhibits is historical test period methodology.

Q. WHAT DOES THE USE OF AN HISTORICAL TEST YEAR METHODOLOGY ENTAIL?

A. In South Carolina, regulated utility rates are analyzed based on financial data and results achieved during a recent historical test period as adjusted for known and measurable changes occurring outside of the test period. These known and measurable changes are made by means of pro forma adjustments to test period data. This ratemaking approach and analysis is used in South Carolina and specifically used in reference to SCE&G. Indeed, these analyses are the same sorts of analyses on which SCE&G's electric and gas rates have been set for decades.

Q. IS HISTORICAL TEST PERIOD RATE MAKING MORE LIKELY TO OVERSTATE OR UNDERSTATE RETURNS?

A. Historical test period rate making analysis is a conservative means of analyzing expected returns and setting rates. It is conservative in that it favors ratepayers because it typically understates the relative growth in utility's costs compared to utility revenue going forward. This concept is known as regulatory lag and typically results in actual utility returns that are lower than those that are calculated using the historical test period analysis.

Q. WHY IS THIS THE CASE?

A. Utility costs typically increase more quickly than revenues because of a combination of factors including inflation and continued investment in new or upgraded utility assets (old, highly depreciated, low original cost assets are continuously being replaced by new, more expensive, un-depreciated and higher cost assets). In addition, utilities must bear the cost of increasingly stringent reliability, security and other regulatory requirements. The pro forma adjustments that are allowed for costs and revenue changes in historical test period analyses understate this imbalance.

Q. DOES EXPERIENCE BEAR THIS OUT?

A. Yes. There is nothing hypothetical about regulatory lag. Regulatory lag is well recognized in the industry and has been repeatedly and consistently demonstrated in the experience of SCE&G and other utilities. In my experience, SCE&G, like most utilities subject to historical test period rate making, typically does not achieve its allowed return even in the years immediately following a rate adjustment. In almost all cases, the actual returns, as adjusted for weather, are materially less than those calculated on historical data. Therefore, the analyses presented in my exhibits likely overstate SCE&G's probable earnings and make it likely that the under-earning of allowed returns will be even greater than that which my exhibits forecast.

Q. MR. SULLIVAN POINTS OUT THAT THE PER BOOK AMOUNTS REPORTED IN YOUR EXHIBITS DIFFER FROM SCE&G'S DECEMBER 31, 2017 QUARTERLY REPORT. IS THERE AN EXPLANATION?

A. Yes, the difference in the per book amounts reported in my exhibits compared to SCE&G's December 31, 2017 quarterly report is related to rate base impacts from NND. The quarterly reports filed with the Commission have historically been adjusted to exclude results for NND since rate recovery was addressed in the BLRA filings. The exhibits I have presented in this docket include NND to provide a complete picture of the Company's regulatory earnings. The per book amounts in SCE&G's quarterly report excludes NND data specifically identifiable in the

Company's financials (e.g., ADIT, Toshiba Proceeds). Otherwise, NND items (e.g., revenues, CWIP) are removed through a pro forma adjustment. The inclusion of these NND items results in a different rate base from SCE&G's Quarterly Report. The rate base in my exhibits is the appropriate rate base for this analysis.

IV. OTHER RATE PROPOSALS

Q. THE SOUTH CAROLINA ENERGY USERS ARGUE THAT ORS'S PROPOSED 18% RATE CUT SHOULD BE IMPLEMENTED BECAUSE SCANA'S CURRENT SITUATION IS "MANAGEABLE." IS THAT AN ACCURATE ASSESSMENT?

A. No, it is not. Mr. Kevin O'Donnell on behalf of the South Carolina Energy Users entirely ignores that a just and reasonable standard is constitutionally mandated in all utility rate making proceedings. The goal of regulation is not to determine how much can be taken from the utility and its investors before triggering "unmanageable" financial consequences. Regulation also does not require utilities to liquidate assets not related to a particular utility service to fund this level of confiscation. Proposed rates must be just and reasonable as those standards have been defined, and Mr. O'Donnell makes no attempt to demonstrate that to be the case as to any rates proposed here. Ms. Ellen Lapson will address this as well since Mr. O'Donnell's testimony is in direct response to her testimony.

Q. SIMILARLY, THE SOUTH CAROLINA COASTAL CONSERVATION LEAGUE ("SCCCL") AND SOUTHERN ALLIANCE FOR CLEAN ENERGY ("SACE") PROPOSE THAT THE RATE IMPOSED UNDER ACT NO. 258 SHOULD BE CONTINUED RATHER THAN AN ALTERNATIVE PLAN BEING IMPLEMENTED. ARE YOU FAMILIAR WITH THIS PROPOSAL?

A. Yes, SCCCL and SACE testify that the continuation of Act No. 258 rate reductions results in the lowest cost for ratepayers, lower even than the Customer Benefits Plan, and they suggest that the Commission should favor that approach. Just as with Mr. O'Donnell's proposal, the suggestion that the Commission should permanently enact the Act No. 258 experimental rates entirely ignores the just and reasonable standard that is constitutionally mandated. As my direct testimony shows, making the Act No. 258 scenario permanent would violate the Constitutionally-mandated just and reasonable standard that applies to utility rate making and could result in serious credit consequences for the Company. Among these consequences would be the recording of significant impairments (simply because the experimental rates do not provide for recovery of the costs of the abandoned project and a return on them). Such impairments combined with the permanently reduced cash flows of the business would erode the credit metrics significantly thereby leading to higher cost of capital which in turn would lead to higher customer rates.

V. FINANCIAL CONCERNS AND ISSUES

Q. SCCCL AND SACE CONTEND THAT SCANA SHOULD SELL PSNC ENERGY IN ORDER TO FINANCE ITS ELECTRIC UTILITY WRITE OFFS. WOULD DOING SO BE APPROPRIATE?

A. SCCCL and SACE fail to apply the just and reasonable standard. To suggest that a utility holding company should be forced to sell gas distribution assets in North Carolina in order to finance rate reductions for electric customers in South Carolina is to admit that the proposed South Carolina rate reductions are confiscatory. As a practical matter, selling PSNC Energy would simply trade the value of its future cash flows in exchange for a one-time capitalization of them. Both the SCANA Board and the North Carolina regulators would have to approve such a sale.

VI. TOSHIBA AND SECURITIZATION

Q. ORS ARGUES THAT SCE&G'S CLAIM THAT IT USED THE TOSHIBA PROCEEDS TO "REPAY SHORT TERM DEBT OR TO MEET CASH NEEDS THAT WOULD OTHERWISE HAVE REQUIRED THE ISSUANCE OF SHORT TERM DEBT" IS INCORRECT AND MISLEADING. IS ORS CORRECT?

A. No, ORS is incorrect. Prior to monetizing the Toshiba claim, SCE&G had a short term commercial paper balance of approximately $700 million. This debt had accumulated over time due primarily to investment in the new nuclear project. Typically, SCE&G would have issued first mortgage bonds to convert this short term commercial paper to long term debt. An average rate for 10-year utility first mortgage bonds at the time the Toshiba proceeds were monetized was 3.25%. SCE&G would likely have had to pay a higher rate due to the uncertainty regarding the Company's credit at that time. Issuing over $700 million of debt at 3.25% would have created over $20 million per year in interest expense, over $200 million during the life of the debt.

SCE&G determined that it was in the best interest of customers and for the financial health of the utility to use the Toshiba proceeds to pay off that short term commercial paper balance that had accumulated primarily as a result of the new nuclear project.

Q. FURTHER, ORS RECOMMENDS THAT THE COMMISSION DIRECT SCE&G TO RECORD A REGULATORY LIABILITY FOR A DEFERRED RETURN ON THE PROCEEDS. WOULD SUCH A DIRECTIVE BE APPROPRIATE?

A. No. At no time relevant to this matter was SCE&G over-earning its allowed ROE on retail electric operations. In fact, ING-1 shows that during the most recent 12 month test period, as adjusted, SCE&G earned a return which was fully 142 basis points lower than its allowed return. At no point after the Toshiba payment was received did SCE&G earn and amount that was close to its allowed return when all capital invested in its electric utility system was considered. Therefore, to accept Mr. Kollen's suggestion would be to exacerbate SCE&G's failure to earn a just and reasonable return on its utility operations. In fact, Mr. Kollen's suggestion should be seen as single issue rate making which is disfavored because it rarely results in rates that are just and reasonable. Such rate proposals focus on a single change in the utility's cost structure. Mr. Kollen's proposal is to lower rates based on a single factor without consideration of the multitude of offsetting changes that indicate that the utility is not earning a reasonable return and that, all other things being equal, rates should increase and not decrease if a just and reasonable return is to be allowed. If the financial benefits of the Toshiba payments are to be taken into account, then fundamental fairness would also require the Commission to take into account investment in non-NND utility assets and rate base since the last rate case, which is not yet reflected in rates, and other changes in SCE&G's costs and investment, which lead to the material under-earning of a reasonable return during this period as shown in my exhibits.

Q. SCCCL AND SACE ARGUE THAT THE COMMISSION SHOULD REQUIRE SCE&G TO USE THE SAVINGS FROM SECURITIZATION TO FURTHER CLEAN ENERGY DEVELOPMENT. WOULD SUCH A USE BE APPROPRIATE?

A. No. As Dominion witnesses will explain, the securitization proposal is premature and subject to major deficiencies. This proposal is conditional on legislative action, which has not occurred. The financial practicality of securitization or the savings from it, if any, cannot be quantified in the abstract, and certainly not prior to knowing the terms of the necessary legislation being adopted. In addition, the suggestion that the proceeds of securitization be used for renewable energy purchases is not practical. Securitization only works if the proceeds are used to reduce existing debt and other financial obligations associated with the securitized asset.

Q. THE US DOD AND FEA CONTEND THAT RATEPAYERS COULD SAVE OVER $1 BILLION IN NOMINAL DOLLARS IF THE NND PROJECTS WERE SECURITIZED. SIMILARLY, SCCCL AND SACE ARGUE THAT SECURITIZATION COULD SAVE RATEPAYERS BETWEEN $500 MILLION AND $2 BILLION. DO YOU AGREE WITH THESE ASSESSMENTS?

A. These assessments are without substance since the terms on which securitization might occur have neither been established nor have the costs been fully quantified.

VII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books ($000's)	Pro-Forma Adjustments ($000's)	Total As Adjusted ($000's)
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	Operating Revenues	2,664,426,229	(535,437,434)	2,128,988,795
2	Operating Expenses			
3	O&M Expenses - Fuel	657,825,785	-	657,825,785
4	O&M Expenses - Other	586,529,178	(54,672,209)	531,856,969
5	Depreciation & Amortization Expenses	275,631,254	(49,496,540)	226,134,714
6	Taxes Other Than Income	213,490,994	7,373,630	220,864,624
7	Total Income Taxes	241,317,794	(139,537,702)	101,780,092
8	Total Operating Expenses	1,974,795,005	(236,332,821)	1,738,462,184
9	Operating Return	689,631,224	(299,104,613)	390,526,611
10	Customer Growth	2,779,242	(1,214,041)	1,565,201
11	Interest on Customer Deposits	(1,127,281)	-	(1,127,281)
12	Return	691,283,185	(300,318,654)	390,964,531
13	Rate Base			
14	Plant in Service	10,196,438,409	(271,764,570)	9,924,673,839
15	Reserve for Depreciation	3,903,784,244	1,339,707	3,905,123,951
16	Net Plant	6,292,654,165	(273,104,277)	6,019,549,887
17	Construction Work in Progress	340,584,501	(86,645,616)	253,938,885
18	Deferred Debits / Credits	2,266,639,639	(2,199,376,086)	67,263,553
19	Total Working Capital	(102,187,532)	(6,834,026)	(109,021,558)
20	Materials & Supplies	434,824,964	(108,698,961)	326,126,003
21	Accumulated Deferred Income Taxes	(799,140,723)	-	(799,140,723)
22	Total Rate Base	8,433,375,014	(2,674,658,966)	5,758,716,048
23	Rate of Return	8.20%		6.79%

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books	Pro-Forma Adjustments ($000's)	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	Operating Revenues	2,611,119,429	(533,916,353)	2,077,203,076
2	Operating Expenses			
3	O&M Expenses - Fuel	631,607,100	-	631,607,100
4	O&M Expenses - Other	572,298,891	(54,477,692)	517,821,199
5	Depreciation & Amortization Expenses	269,337,754	(49,601,869)	219,735,885
6	Taxes Other Than Income	208,740,981	7,195,838	215,936,819
7	Total Income Taxes	248,572,997	(139,746,693)	108,826,304
8	Total Operating Expenses	1,930,557,723	(236,630,416)	1,693,927,307
9	Operating Return	680,561,706	(297,285,936)	383,275,770
10	Customer Growth	2,779,242	(1,214,041)	1,565,201
11	Interest on Customer Deposits	(1,127,281)	-	(1,127,281)
12	Return	682,213,667	(298,499,977)	383,713,690
13	Rate Base			
14	Plant in Service	9,980,706,786	(262,783,101)	9,717,923,685
15	Reserve for Depreciation	3,814,648,968	1,316,889	3,815,965,857
16	Net Plant	6,166,057,818	(264,099,991)	5,901,957,827
17	Construction Work in Progress	330,655,032	(83,760,664)	246,894,368
18	Deferred Debits / Credits	2,187,794,639	(2,123,845,452)	63,949,187
19	Total Working Capital	(106,815,602)	(6,809,712)	(113,625,314)
20	Materials & Supplies	419,863,904	(104,272,049)	315,591,855
21	Accumulated Deferred Income Taxes	(782,232,866)	-	(782,232,866)
22	Total Rate Base	8,215,322,925	(2,582,787,867)	5,632,535,058
23	Rate of Return	8.30%		6 81%

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SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description	Retail As Adjusted	Proposed Increase	Total After Proposed Increase
			($000's)	
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	Operating Revenues	2,077,203,076	102,676,030	2,179,879,106
2	Operating Expenses			
3	O&M Expenses - Fuel	631,607,100		631,607,100
4	O&M Expenses - Other	517,821,199		517,821,199
5	Depreciation & Amortization Expenses	219,735,885		219,735,885
6	Taxes Other Than Income	215,936,819	458,654	216,395,473
7	Total Income Taxes	108,826,304	25,503,235	134,329,539
8	Total Operating Expenses	1,693,927,307	25,961,889	1,719,889,196
9	Operating Return	383,275,770	76,714,141	459,989,911
10	Customer Growth	1,565,201	313,233	1,878,434
11	Interest on Customer Deposits	(1,127,281)	-	(1,127,281)
12	Return	383,713,690	77,027,374	460,741,064
13	Rate Base			
14	Plant in Service	9,717,923,685	-	9,717,923,685
15	Reserve for Depreciation	3,815,965,857	-	3,815,965,857
16	Net Plant	5,901,957,827	-	5,901,957,827
17	Construction Work in Progress	246,894,368	-	246,894,368
18	Deferred Debits / Credits	63,949,187	-	63,949,187
19	Total Working Capital	(113,625,314)	-	(113,625,314)
20	Materials & Supplies	315,591,855	-	315,591,855
21	Accumulated Deferred Income Taxes	(782,232,866)	-	(782,232,866)
22	Total Rate Base	5,632,535,058	-	5,632,535,058
23	Rate of Return	6.81%		8.18%
23	Return on Equity	7.66%		10.25%

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SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM DEPREC.	CWIP	MATERIALS & SUPPLIES	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,118,709		220,420	(166,856)	(1,109,896)						389,589
2	INCENTIVE COMPENSATION ADJUSTMENT		(881,618)		(148,052)	51,478	342,331						(110,189)
3	ANNUALIZE HEALTH CARE		2,612,162			(130,608)	(868,544)						326,520
4	REMOVE EMPLOYEE CLUBS			(135,787)		6,788	45,143	(5,555,540)	(2,185,461)				
5	PROPERTY RETIREMENTS					-	-	(99,842)	(99,842)				
6	*NEW NUCLEAR ADJUSTMENTS	(389,426,679)	(47,298,946)	47,011,967	(845,310)	(19,864,820)	(132,101,050)	(266,175,601)	-	(86,879,203)	(123,018,743)	(3,274,376,487)	(5,912,116)
7	CWIP					-	-	68,413		(68,413)			
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,850,317		(192,616)	(1,280,230)		3,825,010				
9	ADJUST PROPERTY TAXES			-	8,310,903	(418,645)	(2,783,378)						
10	ANNUALIZE INSURANCE EXPENSE		(588,605)			29,260	194,714						(73,201)
11	OPEB		203,185			(10,159)	(67,559)					(152,490)	25,398
12	TAX EFFECT OF ANNUALIZED INTEREST					3,691,883	24,551,090						
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(36,787,696)	(11,840,199)		(164,331)	(1,239,158)	(8,240,404)						(1,480,025)
14	FOSSIL FUEL INVENTORY					-					14,318,782		
15	*TAX REFORM - CURRENT EXPENSE	(52,239,421)		(52,239,421)	-	-							
16	*TAX REFORM - EXCESS DEFERRED AMORTIZATION	(47,983,838)		(47,983,838)	-	-						(20,078,480)	
17	TOSHIBA SETTLEMENT ADJUSTMENT											1,095,230,291	
	TOTAL	(535,437,434)	(54,672,209)	(49,496,840)	7,373,630	(18,240,223)	(121,297,480)	(271,764,970)	1,339,707	(86,845,616)	(108,699,961)	(2,199,376,088)	(6,834,026)

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan. SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE
TWELVE MONTHS ENDED DECEMBER 31, 2017

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC & AMORT EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIALS & SUPPLIES	DEFERRED DBT/CRDT	WORKING CAPITAL
1	WAGES, BENEFITS & PAYROLL TAXES		3,032,658		214,469	(162,351)	(1,079,637)						379,070
2	INCENTIVE COMPENSATION ADJUSTMENT		(857,714)		(144,056)	50,088	333,088						(107,214)
3	ANNUALIZE HEALTH CARE		2,541,834			(127,042)	(848,093)						317,704
4	REMOVE EMPLOYEE CLUBS			(132,667)		6,633	44,112	(5,437,998)	(2,135,560)	-			-
5	PROPERTY RETIREMENTS							(97,592)	(97,536)				
6	*NEW NUCLEAR ADJUSTMENTS	(398,426,679)	(46,978,455)	45,482,629	(848,310)	(19,603,277)	(131,891,792)	(257,311,853)	-	(83,696,116)	(118,011,880)	(3,171,381,682)	(5,872,307)
7	CWIP							84,548		(84,848)			
8	ANNUALIZE DEPRECIATION BASED ON CURRENT			3,770,148		(186,807)	(1,263,575)		3,549,965				
9	ADJUST PROPERTY TAXES				8,135,068	(408,763)	(2,704,808)						
10	ANNUALIZE INSURANCE EXPENSE		(573,219)			28,661	190,594						(71,652)
11	OPEB		197,899			(9,885)	(65,735)					(148,373)	24,712
12	TAX EFFECT OF ANNUALIZED INTEREST					3,584,090	23,834,199						
13	REMOVE AMOUNTS ASSOCIATED WITH DSM	(38,787,898)	(11,540,199)		(164,331)	(1,239,156)	(8,240,404)						(1,460,029)
14	FOSSIL FUEL INVENTORY										13,739,831		
15	*TAX REFORM - CURRENT EXPENSE	(52,239,421)		(52,239,421)	-	-	-						
16	*TAX REFORM - EXCESS DEFERRED AMORTIZATION	(48,482,555)		(48,482,555)	-	-	-					(12,826,684)	
17	TOSHIBA SETTLEMENT ADJUSTMENT*											1,060,811,491	
	TOTAL	(533,916,353)	(54,477,892)	(49,801,865)	7,195,638	(18,287,541)	(121,479,152)	(262,783,101)	1,218,889	(83,780,664)	(104,272,049)	(2,123,845,452)	(8,809,712)

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan, SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED DECEMBER 31, 2017

Line No.	Description (Col. 1)	Requested ($000's) (Col. 2)
1	Jurisdictional Rate Base	5,632,535,058
2	Required Rate of Return	8.18%
3	Required Return	460,741,368
4	Actual Return Earned	383,713,690
5	Required Increase to Return	77,027,678
6	Factor to Remove Customer Growth	1.004084
7	Additional Return Required from Revenue Increase	76,714,396
8	Composite Tax Factor	0.74715
9	Required Revenue Increase	102,676,030
10	Proposed Revenue Increase	102,676,030
	Additional Expenses	
11	Gross Receipts Tax @ 0.4467%	458,654
12	State Income Tax @ 5%	5,110,869
13	Federal Income Tax @ 21%	20,392,367
14	Total Taxes	25,961,889
15	Additional Return	76,714,141
16	Additional Customer Growth	313,233
17	Total Additional Return	77,027,374
18	Earned Return	383,713,690
19	Total Return as Adjusted	460,741,064
20	Rate Base	5,632,535,058
21	Rate of Return	8.18%

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan. SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF FIXED ASSETS - ELECTRIC
AT DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
		($000's)			
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Gross Plant in Service				
1	Intangible Plant	78,405,819	-	78,405,819	76,746,944
2	Production	4,706,858,398	40,631	4,706,899,029	4,557,690,330
3	Transmission	1,597,292,477	(266 175,601)	1,331,116,876	1,286,710,820
4	Distribution	3,282,888,427	-	3,282,888,427	3,282,527,309
5	General	203,125,184	(73,086)	203,052,098	198,756,014
6	Common (1)	327,868,104	(5,556,514)	322,311,590	315,492,269
7	Total Gross Plant in Service	10,196,438,409	(271,764,570)	9,924,673,839	9,717,923,685
	Construction Work in Progress				
8	Production	91,607,336	(43,631)	91,563,705	88,661,136
9	Transmission	179,302,306	(86,579,203)	92,723,103	89,626,458
10	Distribution	20,352,263	-	20,352,262	20,350,024
11	General	2,161,207	(22,782)	2,138,425	2,093,181
12	Intangible	45,267,595	-	45,267,595	44,309,844
13	Common (1)	1,893,793	-	1,893,793	1,853,726
14	Total Construction Work in Progress	340,584,501	(86,645,616)	253,938,885	246,894,368

(1) Electric Portion

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan. SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AT DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books	Adjustments ($000's)	As Adjusted ($000's)	Allocated to Retail ($000's)
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Production	2,210,492,070	1,628,585	2,212,120,655	2,141,996,430
2	Transmission	362,089,771	902,653	362,992,424	350,904,776
3	Distribution	1,029,365,366	1,393,364	1,030,758,730	1,030,645,347
4	General & Intangible Plant	154,852,942	(133,991)	154,718,951	151,186,246
5	Common (1)	146,984,095	(2,450,905)	144,533,191	141,233,057
6	Total	3,903,784,244	1,339,707	3,905,123,951	3,815,965,857

(1) Electric Portion

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan. SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
MATERIALS AND SUPPLIES - ELECTRIC
AT DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books ($000's)	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col 5)
	Fuel Stock				
1	Nuclear	253,203,767	(123,018,743)	130,185,024	124,937,134
2	Fossil	44,013,673	14,319,782	58,333,455	55,970,950
3	Total Fuel Stock	297,217,440	(108,698,961)	188,518,479	180,908,084
4	Emission Allowances	636,699	-	636,699	610,913
5	Other Electric Materials and Supplies	136,970,825	-	136,970,825	134,072,858
6	Total	434,824,964	(108,698,961)	326,126,003	315,591,855

DEFERRED DEBITS / CREDITS - ELECTRIC
AT DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
7	Environmental	(450,300)	-	(450,300)	(437,683)
8	Wateree Scrubber Deferral - Ratebase Adj	18,082,559	-	18,082,559	17,509,342
9	Abandoned Nuclear Units	3,975,520,191	(3,274,375,487)	701,144,704	678,114,319
10	FASB 106 Rate Base Reduction	(119,484,881)	(152,490)	(119,637,371)	(116,407,162)
11	Pension Deferral - Rate Base Adj	39,561,677	-	39 561,677	38,493,512
12	Canadys Retirement - Rate Base Adj	78,662,284	-	78,662,284	76,168,689
13	Toshiba Settlement	(1,095,230,291)	1,095,230,291	-	-
14	Tax Deferrals	(630,021,600)	(20,078,400)	(650,100,000)	(629,491,830)
15	Total	2,266,639,639	(2,199,376,086)	67,263,553	63,949,187

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SOUTH CAROLINA ELECTRIC & GAS COMPANY
WORKING CAPITAL INVESTMENT - ELECTRIC
AT DECEMBER 31, 2017

Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
		($000's)			
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	118,803,511	(6,834,026)	111,969,485	108,323,924
2	Prepayments	71,342,785	-	71,342,785	71,053,344
3	Total Investor Advanced Funds	190,146,296	(6,834,026)	183,312,270	179,377,268
4	Less: Customer Deposits	(54,413,422)	-	(54,413,422)	(54,413,422)
5	Average Tax Accruals	(226,213,317)	-	(226,213,317)	(227,232,730)
6	Nuclear Refueling	(5,323,281)	-	(5,323,281)	(5,107,688)
7	Injuries and Damages	(6,383,808)	-	(6,383,808)	(6,248,742)
8	Total Working Capital	(102,187,532)	(6,834,026)	(109,021,558)	(113,625,314)

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SOUTH CAROLINA ELECTRIC & GAS COMPANY
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AT DECEMBER 31, 2017

			As Adjusted		After Proposed Increase	
Description	Pro Forma Amount	Pro Forma Ratio	Pro Forma Embedded Cost/Rate	Overall Cost/Rate	Pro Forma Embedded Cost/Rate	Overall Cost/Rate
(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
	$	%	%	%	%	%
Long Term Debt	4,928,770,000	47.11%	5.86%	2.76%	5.86%	2.76%
Preferred Stock	100,000	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	5,533,469,980	52.89%	7.66%	4.05%	10.25%	5.42%
Total	10,462,339,980	100.00%		6.81%		8.18%

*No rate increase is proposed in this proceeding. The analysis of the hypothetical rate increase is calculated to show the size of the revenue shortfall under the ORS Plan. SCE&G does not accept the level of tax savings, merger savings, or other assumptions in the ORS analysis. However, for modeling purposes they are included in this calculation.

Exhibit__(ING_2A)
ORS Plan